

Message Text

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FM SECSTATE WASHDC
TO AMCONSUL ISTANBUL PRIORITY
INFO AMEMBASSY ANKARA

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E.O. 11652: N/A

TAGS: BDIS, EINV, TU

SUBJECT:COMMERCIAL DISPUTE: SINGER

REF: (A) ISTANBUL 492, (B) STATE 38839,

1. DEPT OFFS MET FEB 28 WITH VICE PRESIDENT JOSEPH SMITH AND OTHER SINGER REPS AT THEIR INITIATIVE TO DISCUSS SINGER PROBLEMS IN TURKEY. SINGER REPS JOHN BRONZO AND WALTER LUFTMAN WILL BE TRAVELLING TO ISTANBUL WEEK OF MARCH 12 AND INTEND CONTACT CONGEN. THEY ANTICIPATE ALSO VISITING ANKARA LATER IN WEEK TO MEET WITH APPROPRIATE GOT OFFICIALS.

2. DEPT OFFS MADE NO COMMITMENT ABOUT ANY CONGEN OR EMBASSY ACTION NOR WAS ANYTHING SPECIFIC REQUESTED, ALTHOUGH SINGER REPS INDICATED THEY MAY REQUEST USG SUPPORT AT SOME POINT IN FUTURE IF PROBLEMS CANNOT BE RESOLVED.

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WE DID EXPRESS SYMPATHY FOR SINGER'S DIFFICULTIES IN TURKEY, DESCRIBED GENERAL INVESTMENT/ECONOMIC/POLITICAL SITUATION, AND ASKED TO BE KEPT INFORMED OF SINGER EFFORTS SETTLE THEIR PROBLEMS IN TURKEY.

3. IN ADDITION TO CONFIRMING INFORMATION WHICH CONGEN PROVIDED BASED ON DISCUSSION WITH LOCAL SINGER MANAGER

(REF A) SINGER REPS IDENTIFIED SEVERAL ADDITIONAL PROBLEMS,

SUMMARIZED BELOW. COPIES OF SINGER MEMORANDUM PROVIDED TO
DEPT HAVE BEEN POUCHED TO EMBASSY AND CONGEN.

(A) POWER GENERATOR - DAILY POWER CUTOFFS AT IRREGULAR
TIMES HAVE HAMPERED PRODUCTION. COMPANY WAS NOT PERMITTED
TO PURCHASE AUXILIARY GENERATORS BECAUSE OF ALLEGATION
THAT INVESTMENT LEVEL ALREADY EXCEEDED AUTHORIZED AMOUNT.

(B) RAW MATERIALS - SHORTAGE OF RAW MATERIALS AFFECTING
PRODUCTION. ACCORDING TO SINGER, GOT POLICY TO ALLOW
STEEL IMPORTS ONLY ON OPEN ACCOUNT WILL REQUIRE PARENT
COMPANY TO FINANCE IMPORTS OF STEEL OR HAVE TURKISH
COMPANY CEASE OPERATIONS AND INCUR SUBSTANTIAL SEVERANCE
OBLIGATIONS.

(C) COOLEY LOAN FUNDS - PROFITS FROM SUCH FINANCING WERE
ORDERED BLOCKED BY GOT, BUT COMPROMISE WAS OFFERED BY GOT
TO ALLOW FIRMS TO EARN RIGHT TO REPATRIATE PROFITS BY EX-
PORTING AMOUNT EQUIVALENT TO PROFITS. SINGER COMPLIED BUT
GOT SUBSEQUENTLY REVOKED AGREEMENT (MINISTRY OF FINANCE
SAYING MINISTRY OF COMMERCE DID NOT HAVE AUTHORITY FOR
COMPROMISE OFFER) SO FUNDS ARE FULLY BLOCKED (DOLS 128
MILLION). -

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4. SINGER IDENTIFIES OBLIGATION TO SELL 49 PERCENT OF
EQUITY AS GREATEST BURDEN, PARTICULARLY AS BOOK VALUE IS
ONLY ONE FIFTH OF MARKET VALUE AND FORMER COULD BE FURTHER
ERODED BY CHALLENGES TO VALIDITY OF INVESTMENTS BASED ON
DEPRECIATION OF PRIOR INVESTMENTS. SINGER REP CATEGORIZED
GOT PATTERN OF ACTIVITY AS FORCING SINGER DECISIONS LEADING
TO "INVOLUNTARY CONFISCATION".

5. EMB/CONGEN SHOULD OFFER APPROPRIATE ASSISTANCE AND
CONTINUE TO KEEP DEPT INFORMED. VANCE

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